

Attachment C: Existing Incentives Available to Rockville Residents and Businesses

There are a variety of green building and energy incentives already available to Rockville businesses and residents through the Federal government, State of Maryland, Montgomery County, and utility providers. The following highlights some of the existing tax incentives, rebates, grants, and loans available. An understanding of these programs will help Rockville devise a local incentive program that efficiently and effectively targets limited City resources by promoting and complementing these existing programs.

Federal

There are several federal incentives and policies that promote renewable energy and energy efficiency.

- **Commercial Building Tax Deduction:** The Energy Policy Act of 2005 created a tax deduction for owner investments in commercial building energy efficiency. Section 1331, the Commercial Building Tax Deduction, establishes a tax deduction for expenses related to the design and installation of energy-efficient commercial buildings. The deduction is equal to the energy-efficient commercial building property expenditures made by the taxpayer, subject to a cap. Building owners can claim a tax deduction of up to \$1.80 per square foot of building area for the installation of systems (interior lighting systems; heating, cooling, ventilation, and hot water systems; or improvements to the building envelope) that reduce the total energy and power costs by 50 percent or more when compared with a reference building.
- **Residential Energy Efficiency Improvement Tax Credits:** Consumers who purchase and install specific products, such as energy-efficient windows, insulation, doors, roofs, and heating and cooling equipment in existing homes can receive a tax credit for 30% of the cost, up to \$1,500, for improvements "placed in service" starting January 1, 2009, through December 31, 2010.
- **Residential Renewable Energy Tax Credits:** Consumers who install solar energy systems (including solar water heating and solar electric systems), small wind systems, geothermal heat pumps, and residential fuel cell and microturbine systems can receive a 30% tax credit for systems placed in service before December 31, 2016.
- **Energy Efficiency Community Block Grant (EECBG):** Cities and states are eligible to receive formula grants or may apply for funding for specific programs that encourage energy efficiency and conservation programs in commercial, residential, and municipal buildings.

Maryland

Under the “EmPOWER Maryland” initiative, the State of Maryland has a goal of reducing energy consumption by 15 percent by the year 2015. The Maryland Energy Administration (MEA) is also working with the utilities to devise a set of programs to help businesses and residents achieve this goal.

- **Clean Energy Production Tax Credit (corporate and personal):** Maryland offers a production tax credit for electricity generated by wind, geothermal energy, solar energy, hydropower, small irrigation power, municipal solid waste and biomass resources. A state income tax credit for electricity generated by qualified resources of 0.85 cents per kilowatt-hour, and 0.50 cents per kilowatt-hour for electricity generated from co-firing a qualified resource with coal. These credits can be claimed over a period of five years.
- **Green Building Tax Credit:** An income tax credit is available to owners or tenants of green buildings and green building components. The credit equals eight percent of the allowable costs (\$120 per square foot of the base building/\$60 per square foot of the tenant space) for green buildings. Buildings must be located in a priority funding area and be at least 20,000 square feet. The tax credit uses LEED 2.0, LEED 2.1, LEED-EB, LEED-CS and LEED-CI as standards for determining a green building. *Please note at this time the Maryland Energy Administration is no longer accepting applications for this program.*
- **EmPOWER Commercial and Industrial Energy Efficiency Loan Fund:** \$1.3 million in low-interest loans are available to commercial and industrial business in the PEPCO service territory to improve energy performance. The Maryland Energy Administration has established an interest rate of 2.5% for loaned funds. Loans are available up to \$500,000 for electric efficiency projects; up to \$750,000 for combined electric and gas/fuel oil efficiency projects; and a minimum \$35,000 for energy efficiency projects. The maximum simple payback period for any eligible project is 10 years.
- **Geothermal Heat Pump Grant (residents and businesses):** Grant funds up to a maximum of \$3,000 for residents and \$10,000 for businesses are available for the installation of geothermal heat pump systems.
- **Mid-Sized Solar Energy Grant:** Grants are available for businesses and non-profits to install appropriately sized solar photovoltaic and solar hot water systems on their premises. Systems between 20 and 100 kilowatts (of DC capacity) are eligible with the maximum grant of \$25,000.
- **Solar Energy Grants:** Grants are available to commercial, residential, non-profit and local governments for the installation of solar water heat or solar photovoltaic (PV) systems under 20 kW. A maximum grant amount of \$10,000 is available for photovoltaic systems and \$2,000 or 30% of the installed cost of solar hot water.
- **Historic Tax Credit:** A 20% credit toward the Maryland Income Tax is available for eligible qualified capital costs expended for exterior and interior rehabilitation of a certified owner-occupied or income-producing property designated as a contributing

resource in a locally designated historic district or listed on the National Register. All work must be approved by MHT before it begins or the project will not receive state income tax credits. Rehabilitation work may involve utilities and interior work such as heat and air conditioning systems, upgraded electrical wiring, modern kitchens and bathrooms, and other “comfort” improvements.

Montgomery County

Montgomery County’s 2009 Climate Protection Plan includes a robust set of recommendations to meet the County’s goal of reducing greenhouse gases by 80 percent by 2050. The plan sets a goal that 50% of Montgomery County homeowners will take steps to reduce the annual consumption of energy in their homes by at least 25% by 2020. The Plan also sets a goal for benchmarking, commissioning, and improving new and existing commercial and multi-family buildings in order to reduce energy consumption by 25% by 2020. Montgomery County has already instituted several programs and incentives to support these goals.

- **High Performance Building Property Tax Credit:** Applicable to newly constructed or extensively modified commercial, industrial, and multi-family residential buildings. Provides 10% to 75% exemption from property taxes on buildings for 3-5 years; varies by building type and building rating. Buildings must meet minimum LEED Silver standards are higher in LEED-CS, LEED-EB, or LEED-NC.
- **Residential Energy Conservation Property Tax Credit:** Property tax credits are available to residential, owner-occupied structures equipped with solar, geothermal, and energy conservation devices. The geothermal and solar property tax credit is equal to 50% of the cost of the system, up to \$5,000 for heating, cooling systems, and electricity generating systems and \$1,500 for water heating systems. Residents may claim only one geothermal or solar energy tax credit per year. The tax credit for energy conservation devices (equipment insulation, furnaces, boilers, heat pumps, programmable thermostats, caulking/weather-stripping, building insulation, windows, doors,) is limited to the cost of the measure up to \$250 per fiscal year with a maximum of \$5,000.
- **Clean Energy Rewards Program:** Provides incentives to Montgomery County residents, businesses, non-profits, and congregations for purchasing clean energy through certified suppliers. Customers receive a credit of 0.5 cents per kWh (\$0.005/kWh) of clean energy used. The credit applies to purchases of up to 20,000 kWh per year for residential customers and 400,000 kWh per year for non-residential customers. In order to be eligible for a reward, participants must make a minimum clean energy purchase commitment of at least 50% of their annual electricity use. The incentives are distributed by suppliers and will appear as a credit on consumer’s monthly bills.
- **Home Energy Loan Program (HELP):** This developing program will provide low-interest loans to homeowners for energy efficiency improvements and renewable energy projects, with repayment of the loan through the property tax bill. The County has allocated approximately \$1.5 million of EECBG funding to support the development of the program.

- **Proposed Energy Efficiency Community Block Grant (EECBG) Programs:** The proposed strategy includes \$400 thousand for a comprehensive analysis of the County's commercial building sector; \$1.5 million for a commercial grant program to fund energy efficiency projects; funding for facility manager energy training; and other energy conservation measures. The County has also submitted an application for a competitive EECBG; if awarded, the County would further expand its energy conservation and renewable energy programs.
- **Historic Tax Credit:** The County refunds 10% of the amount expended and certified by the Historic District Commission for the rehabilitation of designated contributing historic resources as a credit against property taxes paid. The program covers eligible expenditures for exterior normal or routine maintenance.

Utilities

Utilities serving Montgomery County (Pepco, BGE and Allegheny) received approval from the MD Public Service Commission in 2009 to implement energy efficiency incentive programs that provide such benefits as subsidized energy audits and rebates on energy efficiency equipment and appliances. The following highlights the main energy efficiency programs provided by Pepco.

- **Pepco Residential Incentives**

- **Energy Efficiency Appliance Rebate Program:** Pepco offers appliance rebates to its residential Maryland customers who purchase select energy efficient products. Rebates are available on refrigerators (\$50), room a/c units (\$25 per unit, max \$125), and water heaters (\$20).
- **CFL Campaign:** Pepco discounts the price of select Energy Star qualified compact fluorescent light bulbs (CFLs) for Maryland customers. Residents save \$1.50 on each single bulb, and \$3 on multipacks. There is a 25 bulb limit per customer and it is only available at participating stores.
- **Residential HVAC-** Under this developing program, residential customers can apply for rebates within 60 days of receiving a tune-up or equipment upgrade from a qualified participating contractor. Rebate amounts under consideration are \$100 for a tune-up and \$150 to \$300 for upgrades, depending on the level of efficiency.
- **Home Performance with Energy Star Quick Home Energy Survey (QHES):** This developing program is being designed to make minor energy efficiency upgrades and promote opportunities for energy conservation in residential homes or apartments. For approximately a \$40 fee, a PHI qualified contractor will conduct a one and a half hour walk-through to assess energy efficiency opportunities related to CFLs, electric water heater tank and pipe wrap, low-flow showerheads, or energy efficient faucet aerators for the kitchen or bath. The \$40 fee may be waived for customers that install 3 of the 6 recommended measures.

- **Home Performance with Energy Star Program:** Under this developing program, residential customers may receive a full energy audit (including blower door test) at a discounted cost of \$100. Common recommended improvements may include sealing air leaks, adding insulation, sealing and insulating ductwork, improving heating and cooling systems, fixing combustion equipment, and upgrading lighting and appliances. Rebates up to \$1,500 may be available for recommended upgrades.
- **Income Eligible Program:** This developing program may provide weatherization services and helps income-qualified customers improve the energy efficiency of their apartment or home. Common recommended improvements may include assorted CFLs, electric water heater tank and pipe wrap, low-flow showerheads, energy efficient faucet aerators for the kitchen or bath, health and safety upgrades, and upgrades to lighting and appliances.
- **Pepco Commercial and Industrial Energy Efficiency Incentives**
 - **Prescriptive Rebate Program:** Offers rebates for lighting fixtures (varies) and controls (\$25-\$75 per control), vending machine controls (\$75/unit (refrigerated); \$30/unit (non-refrigerated), motors (\$45-\$700 per motor, depending on type and hp), variable frequency drives (\$1,700-\$7,000, depending on motor hp); air conditioning units (\$35 or \$70/ton, depending on efficiency); heat pumps (\$35 or \$70/ton, depending on efficiency); dual enthalpy economizer control (\$200- added to heat pump or air conditioning unit incentive).
 - **HVAC Efficiency Program:** Offers rebates for energy efficient packaged and split-system heat pumps and air conditioners.
 - **Custom Incentive Program:** Allows customers the opportunity to receive technical assistance and receive an incentive for more complex, unique and creative energy-efficiency measures that are not included in the two previously listed programs.
 - **Building Commissioning and Operations and Maintenance Program:** Offers rebates for commissioning studies and/or implementation of the studies and assistance in training building operators to identify low cost tune-ups and adjustments that improve the energy efficiency of building systems.